

Message Text

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44

ACTION EUR-12

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TO SECSTATE WASHDC 8579

INFO AMCONSUL BELFAST

AMCONSUL EDINBURGH

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E.O. 11652: N/A

TAGS: PINT, OGOV, UK

SUBJECT: QUEEN'S FINANCES STIR CONTROVERSY

SUMMARY - THE GOVERNMENT'S FEBRUARY 12 REQUEST FOR A 43 PERCENT INCREASE IN THE ROYAL HOUSEHOLD BUDGET ("CIVIL LIST") PROVOKED A TEMPEST AMONG PARLIAMENTARY LABOR PARTY BACKBENCHERS WHO WERE DISTURBED BY THE GOVERNMENT'S TACTICS AND THE IMPLICATIONS SUCH AN INCREASE COULD HAVE FOR THE SOCIAL CONTRACT. WHILE BACKBENCH DISCONTENT DOES NOT THREATEN THE GOVERNMENT, THE FIRES OF CONTROVERSY RECEIVED ADDITIONAL FUEL ON FEBRUARY 22 WHEN THE COMMUNIST DAILY, MORNING STAR, PUBLISHED CONFIDENTIAL PAPERS WHICH INDICATED THE PREVIOUS CONSERVATIVE GOVERNMENT HAD ATTEMPTED TO ENACT LEGISLATION WHICH WOULD FURTHER CLOUD THE MONARCH'S ALREADY OBSCURE, BUT REPORTEDLY EXTENSIVE, PRIVATE FINANCIAL HOLDINGS. THESE DISCLOSURES HARDENED LABOR BACKBENCH RESOLVE TO OPPOSE THE CIVIL LIST INCREASE AND RENEWED DEMANDS THAT THE MONARCH'S PERSONAL WEALTH BE MADE A MATTER OF PUBLIC RECORD AND SUBJECT TO TAXATION (THE MONARCH'S PERSONAL WEALTH IS CURRENTLY TAX EXEMPT).
END SUMMARY

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1. PRIME MINISTER WILSON FEBRUARY 14 ASKED COMMONS TO INCREASE THE ANNUAL CIVIL LIST (ROYAL HOUSEHOLD BUDGET) TO 1.4 MILLION POUNDS, AN INCREASE OF 420 THOUSAND POUNDS (43 PERCENT). WILSON POINTED OUT THAT THE REQUEST DID NOT REPRESENT AN INCREASE IN REAL TERMS, AS THE QUEEN'S OFFICIAL EXPENSES HAD INCREASED DRAMATICALLY SINCE 1972, AND THAT SHE HAD TO DRAW 60 THOUSAND POUNDS OF HER OWN FUNDS TO MEET EXPENSES IN 1974. SHE ALSO OFFERED TO CONTRIBUTE AN ADDITIONAL 150 THOUSAND POUNDS IN 1975. THE RESPONSE FROM LABOR'S BACKBENCHES WAS HOSTILE. BACKBENCH MPS, BOTH MODERATES AND LEFTISTS, HAD BEEN ANGERED BY WILSON'S ORIGINAL ATTEMPT TO INTRODUCE THE MEASURE ON THE DAY OF THE CONSERVATIVE PARTY LEADERSHIP ELECTION, WHICH HE DELAYED FOLLOWING PRESS REPORTS OF HIS INTENTION, AND HIS RAMMING THE PROPOSAL THROUGH CABINET WITHOUT DISCUSSION. BACKBENCH LABORITES WERE ALSO DEEPLY CONCERNED ABOUT THE IMPACT SUCH AN INCREASE WOULD HAVE AT A TIME WHEN THE GOVERNMENT IS URGING UNIONS TO KEEP WAGE CLAIMS WITHIN THE LIMITS OF THE SOCIAL CONTRACT.

2. A BIGGER POLITICAL BOMBSHELL EXPLODED FEBRUARY 22 WHEN THE COMMUNIST DAILY, MORNING STAR, PUBLISHED INTERNAL MINISTRY OF TRADE DOCUMENTS INDICATING THE HEATH GOVERNMENT IN 1974 SOUGHT TO ENACT LEGISLATION WHICH WOULD EXEMPT THE MONARCH'S PRIVATE FINANCIAL TRANSACTIONS, WHICH ARE ALREADY TAX EXEMPT, FROM NORMAL REPORTING REQUIREMENTS. TORY LEADER MARGARET THATCHER CHARGED THAT THE LEAK OF THIS INFORMATION RAISED SERIOUS QUESTIONS ABOUT THE GOVERNMENT'S CONDUCT OF PUBLIC BUSINESS AND DEMANDED A HIGH LEVEL INQUIRY. CONSERVATIVE BACKBENCHERS JOINED THE FRAY, SUGGESTING COMMUNIST PENETRATION OF THE GOVERNMENT. THESE DISCLOSURES, MOREOVER, STRENGTHENED

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LABOR BACKBENCH RESOLVE TO OPPOSE THE CIVIL LIST INCREASE AND SEEMED TO PROVIDE FURTHER STIMULUS FOR DEMANDS, LARGELY FROM LEFT-WINGERS, THAT THE QUEEN'S REPORTEDLY VAST FINANCIAL HOLDINGS BE OPENED TO PUBLIC SCRUTINY AND THAT HER PRIVATE WEALTH AND INCOME BE TAXED LIKE THAT OF ANY OTHER BRITISH SUBJECT.

3. COMMENT - THE CIVIL LIST TEMPEST DOES NOT REPRESENT A SIGNIFICANT THREAT TO THE WILSON GOVERNMENT -- EVEN IF FROM 50 TO A 100 LABOR BACKBENCHERS IGNORE THE WHIP TO OPPOSE THE BILL, CONSERVATIVE SUPPORT WILL BE SUFFICIENT TO ASSURE ITS PASSAGE. NEVERTHELESS, IT WILL EXACERBATE WILSON'S RELATIONS WITH LABOR BACKBENCHERS WHOSE SUPPORT HE WILL NEED IN MANY DIFFICULT VOTES WHICH LIE AHEAD (E.G. REFERENDUM, EEC MEMBERSHIP AND ECONOMIC MEASURES). THIS INCREASE, COMING ON THE HEELS OF THE GOVERNMENT'S PROPOSED SALARY INCREASES FOR SENIOR OFFICIALS, WILL ALSO DAMAGE THE CREDIBILITY OF THE ALREADY WEAKENED SOCIAL CONTRACT.

4. THE SOURCE OF THE MORNING STAR LEAK IS STILL UNKNOWN, THOUGH THE TRADE MINISTRY HAS INITIATED AN INVESTIGATION.
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THE BEST BET AT THE MOMENT WOULD APPEAR TO BE A DISGRUNTLED CIVIL SERVANT. UNDER BRITISH PRACTICE, A GOVERNMENT DOES NOT HAVE ACCESS TO THE PREVIOUS GOVERNMENT'S INTERNAL WORKING DOCUMENTS, AS LABOR SPOKESMEN WERE QUICK TO POINT OUT. THE IMPLICATIONS OF THESE DISCLOSURES ARE AT LEAST TWOFOLD: THEY WILL INCREASE POPULAR AND PARLIAMENTARY PRESSURE FOR FULLER DISCLOSURE OF THE MONARCH'S PERSONAL HOLDINGS AND ELIMINATION OF THE SPECIAL TAX BENEFITS SHE ENJOYS; AND THEY WILL STRENGTHEN GROWING SENTIMENT FAVORING MORE OPEN GOVERNMENT IN THE UK.

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